Good morning, Mr. Chairman and Members of the Committee. My name is Bruce McEvoy and I currently serve as President and Chief Executive Officer of Seald-Sweet Growers, Inc., the oldest grower-owned citrus marketing cooperative in Florida, headquartered in Vero Beach, and is comprised of over 600 growers and 12 packinghouses. As a current member and past Chairman of the Board of United Fresh Fruit & Vegetable Association, I appreciate the opportunity to testify on behalf of United before the Committee on the proposed Free Trade Area of the Americas (FTAA) free trade agreement. United is the national trade organization that represents the interests of growers, shippers, processors, brokers, wholesalers and distributors of produce, working together with their customers at retail and foodservice, suppliers at every step in the distribution chain. Let me also state that in addition to my testimony today, Florida's fruit and vegetable growers will be providing more specific testimony on some of the issues discussed here this morning.

Over the years, the produce industry has gone through tremendous changes in an effort to remain profitable, satisfy consumer demands, conform to new technologies, and compete in an increasingly global marketplace. While the perishable nature of our products present unique challenges and highly volatile markets, the produce industry has not relied on traditional farm programs to sustain the industry. Rather, we have relied on the economics of supply and demand and the global marketplace, in particular, to sustain our industry. Given the overarching importance of U.S. exports to our industry, the fresh fruit and vegetable industry has long-supported efforts over the years to expand free and fair trade in order to compete within the dynamic and quickly evolving global marketplace. For this segment of the produce industry, our long-term economic viability will be determined largely by our ability to respond to both domestic and global demands while aggressively working to increase global market share.

The industry's past export efforts to respond to global and consumer demand have been critical toward maintaining a positive agriculture trade surplus and helping offset the persistent trade deficit in nonagricultural U.S. merchandise trade. However, recently, this overall positive trade surplus in agriculture has been dramatically reduced from a high of $27.4 billion in 1996 to a low of $13 billion last year. As the U.S. moves forward in attempting to further liberalize trade in agriculture, the Administration and Congress must examine the impacts of trade barriers, subsidies, and retaliatory measures that are making it increasingly difficult for the U.S. produce industry, as well as other U.S. agricultural commodities, to fairly compete in domestic and international markets. Congress and the Administration must also examine, and be responsive to, the impact of these agreements on our import-sensitive products.

Produce Industry Dynamics and Global Opportunities

In looking at the impact of further trade liberalization within the Western Hemisphere, the current status and changing dynamics of various domestic and international trade factors within the U.S. produce industry must be considered. As we enter the 21st century, the U.S. fresh fruit and vegetable industry is focused on adding value and decreasing costs by streamlining distribution and understanding both domestic and global customer demands. This dynamic system has evolved toward predominantly direct sales from shippers to final buyers, both food service and retail, with food service channels absorbing a growing share of total volume.

The make-up of the industry is also changing as more produce companies introduce value-added products like fresh-cut produce, designed to respond to the growing demands for convenience in food preparation and consumption. With such changing dynamics, the ability to access new international markets for these products coupled with aggressive participation in the global marketplace has become critical to both the industry's growth and future economic viability. Future efforts to increase exports will be critical and depend not only on fair access, but the elimination of foreign subsidies that give unfair advantages to our competitors.

In turn, as low prices and increased low cost imports are placing increasing economic strains on the industry, it is imperative that measures to assist import-sensitive products be considered as part of any agreement. These should include, for example, exemptions from tariff elimination and effective safeguard measures that react to import surges. In addition, as our trading partners target U.S. markets which are more open than any time in our history, adherence to and enforcement of our fair trade laws, such as antidumping and countervailing duty provisions, are essential to our ability to remain competitive in both domestic and international markets.

The Seald Sweet Experience

In citrus production, Seald Sweet is 35% export dependent, and our Indian River grapefruit growers rely on export markets for 60% of their volume. In order to facilitate trade flows, we restructured our cooperative with the formation of a Limited Liability Company involving an infusion of foreign capital. In order to service the emerging global retailers, we have to provide global sourcing of citrus and other commodities. We have invested in Argentine citrus and Peruvian onions. Last month, we acquired an interest in a South African citrus farming organization. These new business ventures need unencumbered and reciprocal trade flows to be fully effective.

Impacts and Challenges of Recent Trade Agreements

As the Administration moves forward with the negotiation of a FTAA and the Congress considers granting Fast Track trade promotion negotiating authority for expedited consideration of this and other free trade agreements, trade issues that have limited the U.S. produce industry from gaining reciprocal access through trade liberalization must be addressed. The industry applauds the recent letter sent by Representatives Condit and Pombo and others to President Bush in which they have touched on the implications of the North American Free Trade Agreement (NAFTA) on the produce industry and the need to improve the results of NAFTA for U.S. agriculture in the FTAA. I ask that a copy of this letter be included in the record. These trade implications must be appropriately analyzed and addressed by U.S. trade negotiators along with the impacts of World Trade Organization (WTO) agreements under the Uruguay Round.

Unfortunately, since the adoption of these agreements, we have witnessed a decline in agricultural exports of nearly 50 percent, while imports have increased nearly 60 percent. In the case of NAFTA, Florida, as well as other states, have witnessed a significant decline in our domestic sales due to Mexico gaining significant preferential access to our market. On the other hand, gains in exports under the Uruguay Round and NAFTA have been minimal, offering little offsetting relief to our domestic industry. Without stronger agriculture trade agreements that effectively address tariff and non-tariff barriers to trade on an equal basis, the U.S. produce industry will continue to lose market share. And since our ability to remain viable depends on reaching both U.S. and foreign markets which are not distorted by artificial foreign advantages, U.S. measures affecting fruit and vegetable trade cannot be unilaterally relinquished without reciprocal benefits to U.S. growers.

The trade implications of negotiations that fail to adequately negotiate reciprocal access to the world's foreign markets and do not maintain mutual safeguards cannot be overlooked by U.S. trade negotiators. For example, in the case of import sensitive commodities, Florida, as well as other states have witnessed a significant reduction in domestic produce sales to Mexico and the global market access gains under the Uruguay Round have been minimal, offering little offsetting relief overall to our domestic industry.

From an overarching perspective, since 1995 horticultural exports have remained flat totaling $8-9 billion per year while imports have increased to over $16 billion per year during the same time period. Our industry has longed supported efforts to tear down barriers to trade and the U.S. now has one of the most open markets in the world. However, without countering efforts by our trading partners to weaken trade laws and enforce protections, the steep barriers that have disproportionately impacted the U.S. produce industry's ability to compete on an equal basis will continue to persist.

Free Trade Area of the Americas Issues

There are several issues of critical importance to the U.S. fruit and vegetable industry that we believe must be carefully reviewed within in the context of the FTAA and future free trade agreements. Key issues that we ask the Administration and Congress to carefully consider include: disciplines for the implementation of Sanitary and Phytosanitary (SPS) restrictions; appropriate safeguards for highly sensitive domestic import sectors including the impact of international currency devaluation; need for efficient dispute resolution mechanisms; elimination of domestic subsidizes (both direct and indirect); and the adequacy of U.S. trade promotion programs.

SPS Disciplines

Presently, SPS obstacles and non-tariff trade barriers have become increasingly prevalent. Delay tactics in conducting risk assessments and questionable science benefiting our trading partners have resulted in closed markets for many U.S. produce commodities in the Western Hemisphere and around the globe. Since the enactment of both the NAFTA and Uruguay Round agreements, progress on many plant quarantine issues, such as Florida citrus access to Mexico and access for Florida citrus to Chile and Argentina, has been slow. In many cases, countries have simply had no incentive to move quickly to resolve these problems. Therefore, it is critical that reasonable time limits be adopted for countries to complete pest risk assessments so that countries can no longer avoid their obligations to science-based restrictions through delaying tactics. Also, it is imperative that the principles of "sufficient scientific evidence," "risk assessment," and other related benchmarks are embodied in new free trade agreements and are enforceable in a timely and transparent manner.

Additionally, within the context of SPS negotiations, the FTAA should also seek to achieve consistency in the area of pesticide regulations. In the Canada/U.S. Free Trade Agreement (CUSTA), the two countries agreed to harmonize pesticide regulations in order to reduce non-tariff trade barriers. This action lead to the formation of a bilateral Pesticide Working Group, which was expanded to include Mexico following the passage of the NAFTA. Although some progress has been made in identifying issues to be resolved in this area, significant differences in the pesticide regulatory framework remain between the three countries. These differences have adverse competitive and trade implications for the U.S. produce industry. Without further harmonization of pesticide regulations among NAFTA countries as well as incorporating protocols into the FTAA, U.S. growers will face even greater inequities.

Appropriate Safeguards and Dispute Resolution Measures

As part of the NAFTA and Uruguay Round agreements, the U.S. fruit and vegetable industry argued that effective safeguards be provided for sensitive, perishable crops. The safeguard contained in the NAFTA is a volume-based tariff-rate-quota mechanism that restores the original tariff on a limited number of products if certain volume targets are reached. Tariffs are restored only when the volume target is reached, usually very late in the tariff-rate period. In many cases, the increased volume in the market has already depressed prices providing little to no relief for domestic producers. Under the Uruguay Round Agreement, a price-based mechanism was negotiated, but only for those products that had non-tariff border measures or quotas in place prior to the implementation date of the agreement. Consequently, while no U.S. produce commodities had such measures in place, the U.S. produce sector receives no relief under the present WTO accord. Without the negotiation of adequate safeguards, one alternative for the survival of many adversely impacted commodities will be to ask for emergency economic assistance from the U.S. government. This is certainly counter to what the industry believes is in the best interest of U.S. fruit and vegetable growers.

Additionally, an issue of equal concern is the creation of efficient dispute resolution procedures for enforcing bilateral or multilateral trade agreements. We have witnessed the ineffectiveness of the current WTO system in the resolving disputes surrounding the banana regime, meat hormone and Canadian dairy disputes. Retaliation may be the legal course to pressure other counties into compliance, but it rarely eases the burden on the damaged industry that is seeking market access and often results in collateral damages to industries who are innocent bystanders.

In the area of private commercial disputes, NAFTA failed to establish any system to resolve such cases, opting rather to create a joint government/private sector advisory committee to develop recommendations on this matter. As the Administration considers further trade liberalization in the Western Hemisphere, the voluntary dispute settlement process recommended by the NAFTA Advisory Group should be carefully reviewed and improved if necessary. Without a feasible and enforceable commercial dispute settlement mechanism for buyers and sellers of fresh produce in the Western Hemisphere, U.S. growers and shippers will have no efficient means of economic recourse.

Inadequacy of U.S. Trade Promotion Program & Foreign Subsidies

For the U.S. fresh produce industry as well as other commodities, the global marketplace is still characterized by extensive, subsidized foreign competition. Unfortunately recent multilateral and bilateral trade actions have not eliminated government support to the horticultural in the EU and other countries including those in the Western Hemisphere. These competitors have continued to benefit from sizable domestic and industry subsidies that have allowed them to capture an increasing share of the world market at the expense of U.S. produce growers who receive no similar annual payments both direct and indirect. In the EU alone, payments to the fruit and vegetable industry totaled $10 billion this year.

For the U.S. produce industry, the only program available to counter such competition is the Market Access Program (MAP). However, according to the U.S. Department of Agriculture, the U.S. is being outspent as much as 20 to 1 by its foreign competition. While our competition has continued to benefit from government supported funding for promotions in the U.S., the U.S. Congress has consistently reduced the MAP program from its previously authorized level of $200 million to its present level of $90 million.

Given the importance of this program, we request that the Congress and Administration support increasing funding for the MAP to $200 million. We also ask other appropriate GATT legal trade promotion and facilitation measures be considered to help counter unfair fruit and vegetable subsidies, promotion programs, and non-tariff barriers to trade in the Western Hemisphere and around the globe.

Conclusion

In conclusion, the U.S. produce industry remains committed to the many benefits of further liberalization in international trade. However, while many of the future FTAA countries will compete directly with many segments of the U.S. produce industry and enjoy competitive advantages over U.S. produce growers, we ask that U.S. negotiators give careful consideration of the shortfalls of the NAFTA and Uruguay round free trade agreements.

Our industry will remain a formidable competitor in the global market only if the FTAA and future free trade agreements ensure the benefits of trade liberalization flow both domestically and internationally. We look forward to working with Congress and the Administration toward this end and appreciate the opportunity to testify before the Committee today.

Thank you.